

# The Mail-Order Prescription Drug Industry

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THE PRACTICE of mailing prescription and other medications to consumers in the United States probably had its origin in rural America. Before the general availability of the automobile, rural inhabitants often were dependent upon the U.S. mail for delivery of medicines and health supplies from their local pharmacy. This practice was not only a convenience to the consumer, but an essential health service as well—one in which physician, pharmacist, and patient were active participants.

The Veterans Administration has used the mails for distributing medicines to its ambulant patients for many years. This practice was expanded greatly with the return of veterans after World War II and has continued to grow, proving convenient and economical for both parties. In

more recent times, the National Retired Teachers Association and American Association of Retired Persons (NRTA-AARP) has been distributing prescription medications to its members through a program that is now a featured service.

As the volume of prescriptions delivered by mail has increased, the practice has come under continuing, and at times critical, surveillance, particularly by organized pharmacy. Because available information to characterize the nature and extent of the mail-order prescription industry has not been collected and scrutinized, we undertook to assemble as much factual information as could be obtained.

Professional organizations and State boards of pharmacy were contacted for the names of firms engaged in high-volume, mail-order distribution of prescription drugs. A list of approximately 60 organizations was compiled. Data were then collected through a combination of personal and telephone interviews from 10 of the larger organizations, using a standard set of questions relating to the data reported in the remainder of this paper. These organizations are responsible for approximately 90 percent of the volume of mail-order prescription drugs in the United States. This report constitutes a profile of the mail-order prescription drug industry as constructed from our study. For purposes of convenience, mail-order

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prescription suppliers can be classified as follows:

1. Nonprofit government, such as the Veterans Administration drug program, which began in 1946
2. Nonprofit private, such as the NRTA-AARP drug program, which began in 1959
3. For-profit specialized (limited) programs, such as the Western Medical Company, which caters to the drug needs of epileptic patients
4. For-profit, open, public drug programs, such as Pharmaceutical Services, Inc.

### General Features of Mail-Order Services

*Patients' characteristics.* The marketing data of these firms and the kinds of drugs supplied suggest that most mail-order suppliers serve elderly patients with chronic conditions who live in rural areas and use a high volume of prescription drugs.

*Services offered.* Most of the 60 organizations offer walk-in as well as mail-order service and dispense prescription drugs, nonprescription drugs, and limited sundry items. Many of the organizations dispense and mail Bureau of Narcotics and Dangerous Drugs (BNDD) schedule II (abusable) prescription drugs; however, only the Veterans Administration is allowed by postal regulation to mail narcotic drugs. The National Retired Teachers Association dispenses only two schedule II drugs: Preludin and Ritalin and, in each case, the prescriber is telephoned. Pharmaceutical Services, Inc., dispenses no schedule II-controlled drugs.

*Prescription pricing.* Mail-order prices are generally competitive with prices prevailing in urban areas; the price advantage in some organizations is approximately 25 percent below the retail price. No uniformity in pricing policy was found; examples of both markup and professional fee pricing mechanisms were encountered. The high volume of prescription orders is an industry-wide trait, necessary to offer the low price. Most organizations distribute a brochure or catalog describing the services offered and listing the prices for nonprescription products. Usually, only those firms in the for-profit category list prescription drug prices in their literature, which is distributed to the public.

*Prescription processing and services.* To assure themselves of the authenticity of a mailed-in prescription and to protect themselves from legal prosecution, firms usually take special precautions to screen out fraudulent orders. Among the steps

they follow are a manual inspection of the prescription order by a pharmacist or specially trained technician, telephone verification in the case of suspected prescription orders, and comparison with known samples of handwriting, if these are available. In membership organizations, the patron's name is checked against the membership roster as an additional security check. The majority of these organizations maintain WATS (wide-area telephone service) lines due to the volume of long distance telephone calls made for verification purposes.

Most firms do not maintain drug-use profiles of patients. Few suppliers perform any drug interaction surveillance or monitoring of patients' drug regimens. Records are kept by all of the firms for purposes of medication refills and financial accounting.

Inquiries from patients are handled in most instances by one experienced person. Correspondence encompasses answers to price requests, answers to clinical questions, notification that a product contains a narcotic agent and must be dispensed locally, answers to inquiries regarding lost or late shipments, as well as need for receipts, special delivery, or the completion of insurance claim forms.

*Prescription dispensing.* Pharmacists dispense or supervise the drug dispensing operations. They are licensed by the State in which they practice and must, therefore, follow that State's regulations. A limited sampling discloses a ratio of approximately 100 to 150 prescriptions dispensed per pharmacist per working day; most organizations use a large number of technicians in the dispensing process. Ratios varying from one to eight technicians per pharmacist were found. These ratios compare with about 60 prescriptions dispensed per pharmacist per working day in the group medical clinic (1) and with about 80 prescriptions per day dispensed in community pharmacies which may employ one to two pharmacists during a given period (2).

*Prescription shipping.* All organizations attempt to ship medications on the same day that the prescription order is received. Generally 3 to 5 days are required for delivery by mail. The drugs are usually packaged in boxes, which may be marked "medicine," and sent via first- or third-class mail or by the United Parcel Service. United Parcel Service mail delivery is preferred by some organizations because the patient must sign a re-

cept, and three attempts to deliver are made prior to the return of the medication to the sender.

The mail-order firms report few losses, thefts, and late deliveries. In a letter dated October 18, 1972, the Better Business Bureau of Metropolitan Washington, D.C., reported that during March through August 1972, 13 inquiries and 11 complaints were made in the category of drugs and medicines, a category that includes all medications purchased from all sources; this total represents only 0.1 percent of the complaint volume.

*Prescription volume and drugs dispensed.* The market volume of mail-order prescription drugs can only be estimated at best, due to the diverse nature of the industry. Based on our discussions with knowledgeable industry representatives, we estimate that roughly 17 million prescriptions are dispensed annually through mail-order channels, 11 million of these by nonprofit firms and organizations. This volume compares with 155 million prescriptions dispensed by chain pharmacies and 959 million prescriptions by independent community pharmacies in 1971 (3).

The most frequently dispensed mail-order prescription drugs in 1972 for one organization, the National Retired Teachers Association and American Association of Retired Persons, are listed. While the population served by this group is clearly older than the population at large, this list is probably a good approximation of the drugs most frequently dispensed by all the mail-order firms.

Aldactazide	Librium, 5 mg
Aldomet, 250 mg	Librium, 10 mg
Atromid-S	Lomotil, 2.5 mg
Butazolidin Alka	Meprobamate, 400 mg
Cyclospasmol, 200 mg	Orinase, 0.5 gm
D. B. I.-T.D., 50 mg	Pavabid capsules
Diabinese, 250 mg	Peritrate, 20 mg
Dilantin, 100 mg	Premarin, 1.25 mg
Diuril, 500 mg	Quinidine, 3 gr
Equanil, 400 mg	Regroton
Esidrix, 50 mg	Tandearil, 100 mg
Hydrodiuril, 50 mg	Thyroid, 2 gr
Hygroton, 100 mg	Tofranil, 25 mg
Inderal, 10 mg	Tolinase, 250 mg
Indocin, 25 mg	Valium, 5 mg
Indocin, 50 mg	Vasodilan, 10 mg
Lasix, 40 mg	

*Summary data.* The characteristics of selected mail-order prescription drug programs are given in the table. A number of characteristics unique to certain programs are detailed more fully in the subsequent section.

### Special Features of Programs

Certain mail-order prescription drug suppliers merit further consideration by virtue of specific characteristics or features in their operation. Programs that have such a special feature are recounted in this section.

*The Veterans Administration* program is unique in several aspects. It is the only organization currently allowed by postal regulation to distribute narcotics through the mails (that is, by registered mail). In addition, its 28 million vet-

### Comparison of features of mail-order prescription organizations

Organization and population served	Also sells		Payment	Other services			
	Over-the-counter drugs	Sundries		Walk-in service	Patient profiles	WATS lines <sup>1</sup>	Use outside vendors
Federal Prescriptions Service, Inc. (public) . . .	Yes	No	Full price	Yes	No	Yes	No
Getz Prescription Company (public) . . . . .	Yes	Yes	Full price	Yes	No	Yes	No
Health Insurance Plan of Greater New York (membership) . . . . .	Yes	No	No charge <sup>2</sup>	Yes	No	Local	Yes
National Council of Senior Citizens (membership) . . . . .	Yes	Yes	Full price	Yes	No	Yes	No
National Retired Teachers Association (membership) . . . . .	Yes	Yes	Full price	Yes	No	Yes	No
Pharmaceutical Services, Inc. (public) . . . . .	Yes	No	Full price	Yes	Yes	Yes	No
United Mine Workers of America Welfare and Retirement Fund (membership) . . . . .	No	No	No charge	Yes	Yes	No	Yes
Veterans Administration (beneficiaries) . . . . .	Yes	No	No charge	Yes	No	Yes	Yes
International Ladies Garment Workers Union (members and beneficiaries) . . . . .	Yes	No	Co-payment	Yes	No	Yes	No

<sup>1</sup> Wide-area telephone service.

<sup>2</sup> No charge if medication is obtained from HIP facility; small charge if medication is obtained from a vendor pharmacy.

eran beneficiaries (excluding dependents) comprise the largest single group of recipients. In 1972, these veterans acquired 7 million mail-order prescription medications.

*The United Mine Workers of America Welfare and Retirement Fund (UMWA)* program is termed a "mail-out" program because the prescription order, which bears the patient's diagnosis, is sent directly to the pharmacy by the physician. The medication is then mailed to the patient from one of more than 100 participating community pharmacies and UMWA facilities. The 500,000 members, retired members, and their dependents reside primarily in 10 rural areas in the Appalachian region. UMWA facilities dispense and the welfare and retirement fund pays only for selected chronic-use drugs as prescribed by plan-approved physicians. The fund is supported by a trust contribution of 60 cents per ton of coal mined, soon to be raised to 80 cents per ton.

*Pharmaceutical Services, Inc.*, of Kansas City, Mo., uses a computer-based drug interaction surveillance system in conjunction with a patient profile card service. In an effort to ascertain the validity of questionable prescriptions for schedule II drugs, this company maintains an extensive file of physicians' signatures.

*The National Retired Teachers Association and American Association of Retired Persons* has 5 million members, less than 10 percent of whom use the pharmacy service. The volume of dispensed prescriptions has reached 6,000 per day at the association's Washington, D.C., operation. In addition, the pharmacy service operates four other mail-order pharmacies in California, Connecticut, Florida, and Missouri. NRTA-AARP also sells sundries at reduced cost to its patrons, as well as its own brand of over-the-counter drugs—an almost universal practice in this industry.

*Direct Drug Service* of Washington, D.C., supplies prescription and nonprescription drug products to members of more than 30 organizations, including the National Council of Senior Citizens and the National Farmers Union. Drugs are mailed and the patient billed, or the patient may save 2 percent by prepayment. Direct Drug Service is one of the firms that list prescription drug prices in its catalog. The service began in 1964 through a combined effort of the National Council of Senior Citizens and the Greenbelt Consumer Cooperative.

*Health Insurance Plan of Greater New York* is a prepaid comprehensive health care plan. Drug

benefits are available to members for \$1.20 per month for individuals, \$2.40 for couples, and \$3.60 for families (three or more people, children under 19 years). Prescriptions obtained through in-house facilities are dispensed without additional charge; patients who obtain prescriptions at community pharmacies receive an 80 percent reimbursement after their \$25 annual deductible is satisfied.

*Federal Prescriptions Service, Inc.*, of Madrid, Iowa, is similar to Direct Drug Service. It operates its own mail-order prescription service and also the drug plans for the National Association of Retired Federal Employees, Veterans of World War I, Amvets Drug Plan, American Vocational Association, National Association of Postmasters of the United States, and the National Federation of Federal Employees.

### Issues Regarding Mail-Order Services

The practice of mailing prescription drugs has always been accepted as a legitimate and necessary service to the patient when performed by the community-based or hospital pharmacy. However, the advent in the 1950's of high-volume, mail-order firms brought forth a storm of controversy regarding the ethics of mail-order practice that continues to this day. Investigation has revealed that approximately 20 States have supported litigation against mail-order pharmacies that operate from out-of-State, on the premise that a pharmacist is required by law to obtain a license from the board of that State in which he practices (reference 4 and personal communication of July 12, 1973, from Fred Wegner of Retired Persons Services, Inc.).

The issue of the disruption of the physician-patient-pharmacist relationship is the crux of much of the debate surrounding mail-order programs. More and more, State boards of pharmacy are proposing regulations that prohibit the establishment of a mail-order pharmacy based on the presumed disruption of this relationship. In a recent issue of *American Druggist*, Kenneth Griswald, chairman of the Judicial Board, American Pharmaceutical Association, stated (5): "It is usually impossible for a pharmacist in a mail-order pharmacy to render to each patient the full measure of his professional ability and to exercise proper professional judgments and skill. He has no personal knowledge of the patient or the prescribing physician on which to base his judgments

and since no physician-patient-pharmacist relationship exists, it becomes virtually impossible for a pharmacist practicing in this environment to abide by Sections One and Seven" [of the American Pharmaceutical Association's Code of Ethics].

When one analyzes current drug dispensing, it is apparent that the typical community-based pharmacy practice is not always able to provide for a true "physician-patient-pharmacist" relationship. The lack of definition of the concept and its select application makes it imperative, therefore, that the relevant professions establish standards of practice that specify the constitutional makeup of this tripartite relationship.

The issue of fraud has also been widely discussed. It is well known that various groups have illegally purchased drugs by mail through bogus prescriptions. The associate general counsel for the National Association of Retail Druggists in a letter to Senator Birch Bayh, dated August 7, 1972, stated: "We are confident that any responsible investigation of mail-order practices by Congress, Bureau of Narcotics and Dangerous Drugs, or any other group will demonstrate that widespread use of the mails to deliver drugs subject to abuse contributes to the drug diversion and the nation's drug abuse problems . . . An outright prohibition on the mail-order sale and delivery of drugs subject to abuse is essential and long overdue."

Two months later, John Ingersoll, director of the Bureau of Narcotics and Dangerous Drugs, stated at the annual meeting of the National Association of Retail Druggists that one argument against mail-order pharmacy that concerned BNDD was the diversion of controlled substances. ". . . In response to similar allegations made in 1969, the Bureau conducted an investigation of mail-order pharmacies and concluded at that time: The findings do not lend credence to the suspicion that mail-order prescription firms are a major source of diversion for controlled drugs. On the contrary, the level of compliance with the Drug Abuse Control Amendments of 1965 compares reasonably well with the general run of prescription pharmacies.

"The Bureau is concerned with the relative ease that controlled substances are obtained from all pharmacies. But this problem is not confined to mail-order houses, as shown by a *New York Daily News* survey last spring. Generally, it would ap-

pear that drug abusers are more likely to select a retail pharmacy rather than a mail-order pharmacy to attempt to pass a forged prescription. Their needs are of an immediate nature and are more quickly satisfied through a fast purchase. Safety is also a factor. Abusers do not want to give a return address to a mail-order house and prefer doing business with a local pharmacy. The abuser can watch the pharmacist's reaction to a forged script and quickly leave if the pharmacist goes to the telephone . . ." (6).

## Discussion

The mail-order prescription drug industry appears to serve a real purpose by supplying the prescribed drug needs of patients who may be invalids, lack transportation, be isolated, or be in need of price savings otherwise unavailable. Further, this mode of practice is probably a permanent institution and will inevitably expand over time.

While the alleged disruption of the "physician-patient-pharmacist" relationship and the potential for fraud in the mail-order industry are two issues worthy of discussion, we wonder whether a motivating issue may be the economic competition that a mail-order operation presents to the local retail pharmacist. There is no doubt that contending forces need to document their positions.

The volume of prescription drugs distributed by mail constitutes only a small portion of the total distribution of drugs. However, public welfare will require adequate standards for this important method of drug delivery. Organized pharmacy is in a position to participate with interested parties in the objective evaluation of practices and the planning of standards for the mail-order prescription drug industry.

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